



AMERICA'S AFFORDABLE HEALTH CHOICES ACT

QUALITY AFFORDABLE HEALTH CARE

HR 3200 RESTORES EQUITY BETWEEN TRADITIONAL MEDICARE AND MEDICARE ADVANTAGE

BACKGROUND ON MEDICARE OVERPAYMENTS

When private insurance companies first petitioned to join Medicare in the 1980s, they asserted they could provide more care for less than it cost Medicare to provide its services and they agreed to be paid 95 percent of Medicare fee-for-service rates to prove that point. Even then, independent data suggested they were making money because they tended to enroll healthier than average beneficiaries and their actual costs were closer to 90 percent. Today, these same companies – now called Medicare Advantage (MA) plans – are paid on average 14 percent more than it costs to provide care through the traditional fee-for-service Medicare program.

MA overpayments exceed \$1,000 per MA enrollee per year, even though only a fraction is returned to beneficiaries through cost sharing or benefit changes. MedPAC estimates that the national cost of MA overpayments is \$12 billion a year. There is no dispute that MA overpayments exist or that they are projected to cost taxpayers and beneficiaries more than \$170 billion over the next 10 years; CBO, MedPAC and numerous independent experts validate these findings.

HR 3200 phases out these overpayments over three years, starting in 2011 (because the 2010 rates are already set) so that MA plans are paid on a level playing field with traditional fee-for-service Medicare. Note that this position is an increase for plans relative to the 95 percent status under which they operated for the first 15 years during which they participated in Medicare.

WHAT HAPPENS TO PEOPLE ENROLLED IN MA PLANS TODAY

HR 3200 phases in a level playing field for MA plans versus the traditional fee-for-service Medicare Program. When the level playing field is reached, MA plans will still be paid at a higher rate than they were when they originally petitioned to join Medicare. Many MA plans will continue to offer their services under the new payment system. The plans that are able to operate efficiently and provide extra value to their enrollees through care coordination will continue to flourish. If MA plans choose to leave the market, people will have choices of other MA plans in their community as well as the choice of a stronger traditional fee-for-service Medicare program to choose from. Traditional Medicare will no longer have a drug donut hole, will offer free preventive health care, and will provide greater assistance for those with lower incomes – all reasons people have chosen MA plans. Medicare Advantage plans will be required to provide those benefits as well.

OVERPAYMENTS TO PRIVATE PLANS INCREASE COSTS TO ALL MEDICARE BENEFICIARIES AND TAXPAYERS

Medicare's Chief Actuary estimates that MA overpayments undermine the Medicare Trust Fund solvency by 18 months; in other words, the Medicare Trust Fund is depleted faster as a result of the excess payments. The Medicare Actuary and MedPAC also estimate that these overpayments increase beneficiary premiums by almost \$4 each month (even though only 24 percent of Medicare beneficiaries are enrolled in these plans).

In effect, more than three quarters of Medicare beneficiaries – those who remain in the traditional fee-for-service program – are forced to pay higher premiums every month to subsidize payments to private plans. The rest of the Medicare Advantage overpayment is paid by the American taxpayer. By eliminating these overpayments, HR 3200 protects the Medicare program so that it will be sustainable over time, restores equity in the program by putting plans on a level playing field with traditional Medicare, and requires MA plans to become more efficient competitors by refusing to continue to pad their payments. Under HR 3200, plans will compete on price and quality, not by manipulating benefits or having an unfair handout from senior citizens and taxpayers.

DESPITE OVERPAYMENTS, MA PLANS MAY CHARGE HIGHER COST SHARING THAN TRADITIONAL MEDICARE
Medicare Advantage should be an “advantage,” as the name implies. But many MA plans charge higher cost-sharing than traditional Medicare for vital services like hospitalizations, chemotherapy or home health care. Plans with these unfair cost-sharing practices discriminate against sicker Medicare beneficiaries. A Medicare beneficiary should never pay more under a private plan than s/he would under traditional Medicare. HR 3200 would hold MA plans true to their name by prohibiting plans from charging more than traditional Medicare would for any particular item or service.

OVERPAYING MEDICARE ADVANTAGE IS AN INEFFICIENT WAY TO PROVIDE EXTRA BENEFITS

Some have touted MA as a way to provide more benefits to people living in rural areas or those who have lower incomes. This is an inefficient way to provide increased benefits. First, those benefits only go to those people who find an MA plan that is acceptable to them. Second, taxpayers spent on average 14 percent more for those people. In some MA plans, the government spends \$3 for every \$1 of extra benefits offered, giving private insurance companies three times as much as they then give to beneficiaries. Third, MA plans may provide extra benefits, but they also often charge more for certain services or items than the traditional Medicare fee-for-service program.

The more efficient way to provide new benefits for Medicare beneficiaries – and the only way to assure access for all Medicare beneficiaries who need the new benefits – is to add them to the traditional Medicare program. That’s what HR 3200 does. It is important to note that when benefits are added to Medicare, they automatically become part of the basic benefits in MA, but are no longer decided randomly at the discretion of the plan or given only to people who enroll in private plans. It is a more equitable and efficient approach.

Under HR 3200, all seniors and people with disabilities will obtain preventive services with no copayments, Medicare prescription drugs without the donut hole, better access to mental health providers, and improved financial help for those with low-incomes.